

COMMUNITY FACILITIES LOAN

I GENERAL: This Instruction supplements FmHA Instruction 1942-A, Community Facility Loans, and is issued to provide State Instructions required to implement the policies, authorizations and processing of Community Facility loans.

II PARAGRAPH 1942.2, PROCESSING APPLICATIONS:

A Paragraph 1942.2(a), Preapplications. Applicants for initial and subsequent loans will submit items listed in Forms FmHA-TX 1942-39, or 1942-40, Processing Checklist, as appropriate, to the District Director who will forward the material to the State Office for review and eligibility determination.

An initial Form AD-622 will be prepared stating the results of the review action. Eligible applicants that have the priority to proceed will be advised to develop the appropriate environmental assessment information.

B Paragraph 1942.2(c), Applications. When the State Director determines that the application will be further processed and Form AD-622 has been delivered to the applicant, the application docket will be assembled in accordance with the Processing Checklist. The District Director will establish a time schedule for completion of the project.

1 Applicants that are not presently incorporated as a nonprofit corporation will be encouraged to incorporate into public bodies, rather than nonprofit corporations. In case it is not practical for them to incorporate as a city, the applicant should be encouraged to form water districts, municipal utility district, or other entities who are tax exempt and have taxing powers.

2 New nonprofit corporations will not be formed where it is practical to serve the area by a public body or by extending lines from another water system already in existence.

3 Form FmHA-TX 442-1, Association Loan Membership Survey Data Sheet, will be used to determine the number of users for the proposed system (not required for cities with existing facilities).

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III PARAGRAPH 1942.4, BORROWER CONTRACTS:

Paragraph 1942.4, Agreements. All contracts for professional and technical services and for the treatment of water or waste will be submitted to the State Director for review and concurrence prior to execution by the borrower. Nonprofit associations will use Form FmHA-TX 442-13, Agreement for Legal Services, to obtain the services of a local practicing attorney. Form FmHA 1942-19, Agreement for Engineering Services will be required. Engineering fees will be in accordance with Form FmHA-TX 1942-19, "Median Fees for Professional Engineering Services as a Percentage of Net Construction Costs" (revised 1-93).

IV PARAGRAPH 1942.5, APPLICATION REVIEW AND APPROVAL:

Paragraph 1942.5(a), Procedures for Review: The District Director will complete the application docket and forward the material for review and/or approval to the State Director. When the docket has been reviewed and approved, authority will be given to the District Director to sign and distribute the Letter of Conditions.

V PARAGRAPH 1942.6, PREPARATION FOR LOAN CLOSING:

A Paragraph 1942.6(a), Obtaining Closing Instructions. The final submission will be assembled as outlined in the Processing Checklist, and submitted to the State Director for closing instructions. Proposed contract document forms and construction plans will be forwarded to the State Office as soon as available.

B Paragraph 1942.6(b), User (Member) and Cash Contribution Audit and Verification. The District Director will verify the number of users prior to preliminary submission using Form FmHA-TX 442-4, Preliminary Certification of Users by District Director. This form will be made a part of the preliminary and final submission. Water users will also execute Form FmHA-TX 442-11, Service Application and Agreement.

C Paragraph 1942.6(e), Multiple Advances for FmHA Funds. Borrowers unable to obtain interim financing at reasonable rates and terms will use the multiple advance method for loans of \$50,000 or more.

VI PARAGRAPH 1942.9, PLANNING AND PERFORMING DEVELOPMENT:

A Bid Opening. Following bid opening the District Director will submit Form FmHA-TX 424-9, Bid Tabulation, to the State Director. As soon as possible, the consultant engineer will prepare an itemized copy of the bid tabulation showing unit prices, etc., and submit copies to the District Director and State Director.

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B Paragraph 1942.9(b), Contract Approval. One copy of executed construction contracts will be submitted to the State Director for review and approval. Construction will not be started until this approval has been obtained and the final plans and specifications approved in writing by the Texas State Department of Health; the Texas Water Commission; or the appropriate State regulatory authority. Contracts will be filed for record as shown in Texas Instruction 1942-A, Appendix A, Paragraph VIII D 1.

VII PARAGRAPH 1942.15, DELEGATION AND REDELEGATION OF AUTHORITY:

Authorities contained in FmHA Instruction 1942-A and this Instruction are hereby redelegated to the Chief, Community Programs.

VIII PARAGRAPH 1942.17(g), BORROWER ACCOUNTING METHODS, MANAGEMENT REPORTING, AND AUDITS:

A Paragraph 1942.17(g) (2), Management Reports. District Directors are authorized to approve, or conditionally approve, budgets for borrowers (except delinquent and problem case borrowers) who submit a budget adequate to pay the scheduled debt installment, operating and maintenance cost, and establish the required reserve. One copy of the approval letter from the District Director to the borrower will be submitted to the State Director along with the additional information required by the Section.

B Mergers. District Directors will encourage mergers and consolidations of water supply corporations when it is consistent with improved management and operation.

IX PARAGRAPH 1942.19(b), POLICIES RELATED TO USE OF BOND COUNSEL:

A Farmers Home Administration does not require the services of a Financial Advisor in connection with loans to public bodies. Public bodies should obtain the services of a qualified bond counsel to prepare the bonds and bond transcript documents. The applicant may be represented by a local attorney who will obtain the assistance of a recognized bond counsel and do other legal work which may be required in connection with the loan.

1 The proposed bond ordinance will be reviewed by the State Office and Office of General Counsel prior to docket submission.